



Fraud and Corruption Prevention Management Framework

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1. PURPOSE

The purpose of the Fraud and Corruption Prevention Management Framework is to:

- Minimise opportunities for fraud and corruption (whether committed by internal or external parties);
- Protect public monies, property, and information and organisational and individual rights; and
- Maintain the effectiveness of Council operations.

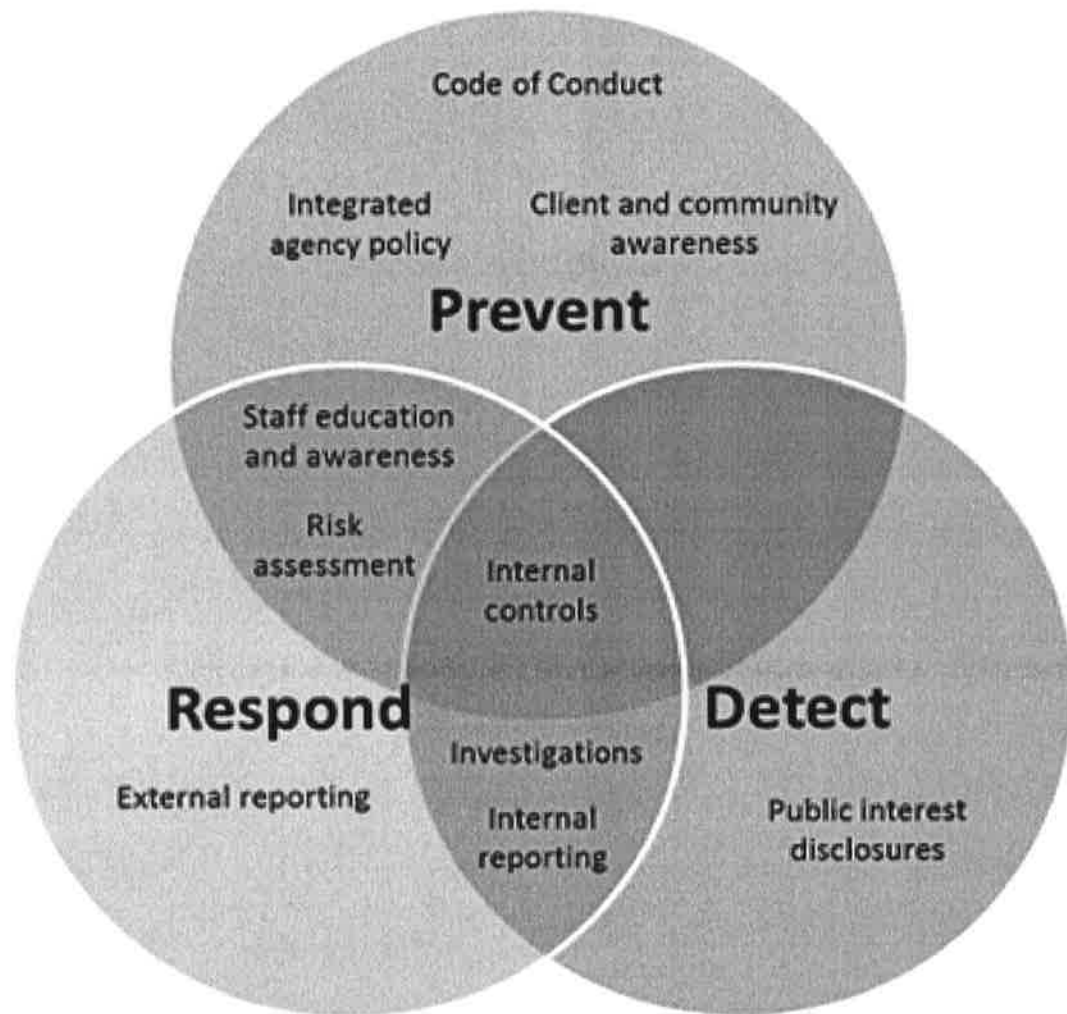
2. STRUCTURE

The framework consists of a suite of Council tools and resources including:

- Fraud and Corruption Prevention Management Policy
- Fraud and Corruption Prevention Management Plan
- Fraud and Corruption Risk Register and Treatment Plan
- Fraud and Corruption Reporting Flowchart
- Fraud and Corruption Complaint Register

3. CCC 10-ELEMENT MODEL

The Crime & Corruption Commission (CCC) recommended integrated control model comprising 10 key elements. The below Venn diagram depicts the interrelationship of CCC's 10 key elements in Council's fraud and corruption prevention, detection and response strategies.



4. CMC 10-ELEMENT IN PRACTICE

4.1. Clear and Integrated Suite of Relevant Policies

South Burnett Regional Council (Council) is committed to acting in the best interest of the community and upholding the principles of honesty, integrity and transparency. Its Fraud and Corruption Prevention Management Policy along with this Fraud and Corruption Prevention Management Plan, is one of a suite of policies and procedures designed to achieve this. It works with a suite of relevant policies and procedures to provide guidance to staff and forms the keystone of fraud and corruption prevention. List of related documents are below:

- a) Councillors code of Conduct(Policy)
- b) Employee Code of Conduct(Policy)
- c) Employee Disciplinary Procedure
- d) Public Interest Disclosure Policy and Procedures
- e) HR Policies and Procedures
- f) Finance Policies and Procedures
- g) Gifts and Benefits Policy
- h) Administrative Actions and Councillor Conduct Complaints Management Policy
- i) Risk Management Policy
- j) Information Privacy Policy
- k) Related Party Disclosure Policy

Council has established a Fraud and Corruption Prevention Management Steering Group to manage Council's overall fraud and corruption control program, which meets every quarter.

Additionally, Council has established a Fraud and Corruption Prevention Management Working Group to deliver Council's operational actions, which meets every quarter.

Manager Social and Corporate Performance acts as the Fraud and Corruption Prevention Management Coordinator.

4.2. Continuing and Effective Fraud and Corruption Risk Assessment

Fraud and corruption risk assessment is an integral part of the Council's overall risk management framework and provides Council with an understanding of its fraud and corruption vulnerabilities and possible strategies to eliminate or minimise those risks.

Fraud and Corruption Risk Assessments are carried out in accordance with Council's Risk Management Policy. Fraud and corruption risk assessments are to be conducted by each department on their specific functions/processes every year. Potential fraud and corruption risks are identified and are recorded in the Fraud & Corruption Prevent Management Risk Register and Treatment Plan.

Council has identified a number of functions/processes considered to be areas of high vulnerability to fraudulent and corrupt activity. Fraud and corruption risks are to be identified and assessed for the following areas:

- ❖ Procurement & Contract Management
- ❖ Timesheets & Payroll
- ❖ Accounts Receivable & Rate Revenues
- ❖ Corporate Cards & Travel and Allowances Claims
- ❖ Recruitment and Employment
- ❖ Information Management & Privacy

Also as a minimum, the following specific matters should be examined:

- The enforcement of financial management standards, policies and practices governing contracts and the supply of goods and services;
- The correct recording of all assets and provisions for known or expected losses;
- The collection, storage, dealing, handling and dissemination of information;
- Segregation of functions and duties, particularly in regulatory, financial accounting, procurement and cash handling areas where possible;
- Work activities where there is limited supervision, or is open to collusion or manipulation;
- Work practices associated with compliance and enforcement activities;
- Work practices and ethical standards for accredited agents, associates and other relevant stakeholders;
- Formal or structured reviews of accounting and administrative controls;
- The effectiveness of measures for reporting suspected fraud and corruption;
- The implementation of robust public interest disclosure protective measures;
- Workplace grievance practices; and
- Measures to ensure quick and decisive action on all suspected incidents of fraud and corruption.

In addition to the assessment of risk, suitable operational practices and data analysis activities will be implemented and maintained to detect fraudulent and corrupt activities, including:

- Establishing effective and consistent accounting and management controls;

- Routine and random auditing of decisions and operational records through the Internal Audit function;
- Identifying variations from normal accounting methods or work practices;
- Recognising deviations or exceptions in outcomes from expectations; and
- Monitoring key indicators (Local Government Association Queensland Red Flag Indicators) of potential fraud and corruption.

Both the Steering and Working Groups will be responsible for the development of the fraud and corruption risk treatment plans as necessary.

Types of Council services susceptible to fraud risk

Type of fraud	Examples of related risks
Rate revenue fraud— Fraudulent manipulation of rates to receive a self-benefit	<ul style="list-style-type: none"> •incorrectly claiming discounts (such as pensioner discounts) to benefit employees, friends, family and colleagues •making changes to rates details to benefit employees, friends, family and colleagues.
Development applications and rezoning— Frauds relating to development applications and rezoning of land for commercial and residential purposes	<ul style="list-style-type: none"> •misuse of commercially sensitive information •providing kickbacks to Councillors or Council staff for favourable decisions •undeclared conflicts of interest involving Councillors and/or Council staff.
Service delivery fraud— Frauds relating to the use of Council provided services to which the customer would not normally be entitled	<ul style="list-style-type: none"> •oversupplying goods or services to benefit third parties •undersupplying to 'skim' goods or services (or time that would normally be devoted to the service).
Compensation fraud— Frauds relating to falsely claiming Council responsibility for incidents and accidents and attempting to falsely claim compensation	<ul style="list-style-type: none"> •falsely claiming pedestrian accidents on footpaths or Council premises •falsely claiming road quality-related accidents •falsely claiming storm water or drainage-related accidents.
Grants fraud— Frauds relating to grant funds not being used for the intended service delivery objective	<ul style="list-style-type: none"> •overpaying of grants, duplicating payments of grants or having grants claimed multiple times •redirecting grant funds to personal accounts •poor record keeping for grants, resulting in misstatement.

Types of Council business functions susceptible to fraud risk

Type of fraud	Examples of related risks
Procurement fraud— Frauds relating to the process of acquisition of goods, services and project delivery from third parties	<ul style="list-style-type: none"> •unauthorised use of corporate credit or fuel cards •paying claims for goods or services that were not delivered •receiving of kickbacks or being involved in bribery, corruption or coercion related to manipulation of the procurement process.
Travel and allowances fraud— Frauds relating to falsely claiming reimbursement of costs or allowances for which there is no entitlement	<ul style="list-style-type: none"> •making claims for journeys not made or overstating the distance •reimbursing expenses not related to council business.

<p>Payroll and salary fraud— Frauds relating to claiming pay that doesn't match work performed or conditions of employment</p>	<ul style="list-style-type: none"> •creating 'ghost' employees to receive additional pay •falsely claiming overtime payments.
<p>Employment fraud— Fraud relating to applicants falsely claiming qualifications and skills above their ability</p>	<ul style="list-style-type: none"> •misrepresenting skills, capabilities or qualifications to obtain employment •forgery of reference documentation.
<p>Asset fraud— Using Council assets for other than official purposes or gaining other personal benefits</p>	<ul style="list-style-type: none"> •manipulation of asset value or fraudulent asset divestment process for personal gain •stealing assets •using Council assets without authorisation.
<p>Exploiting Council information— Using confidential or commercially sensitive information for personal gain</p>	<ul style="list-style-type: none"> •falsifying official records •providing confidential and sensitive information to others for personal gain •using confidential and sensitive information for personal benefit.

Source: Queensland Audit Office

4.3. Robust Internal Controls with Clear Accountability and Responsibility

Controls are used to manage risks identified through the risk assessment process. Our internal control system consists of structures, policies, procedures, tasks, information systems and other tangible and intangible activities that record and manage risks.

Councils internal control structure complies with the *Financial Management Standards (ss. 68 -71)* that accountable officers establish and implement a cost-effective internal control structure, including:

- ✓ a strong emphasis on accountability, best practice management of Council's resources.
- ✓ an organisational structure and delegations which support the objectives and operations of the Council
- ✓ employment of qualified and competent officers
- ✓ training and performance assessment of officers
- ✓ efficient, effective and economic operations of the internal audit function
- ✓ compliance with all financial legislative requirements
- ✓ appropriate separation of duties
- ✓ preserving the integrity, accuracy and reliability of the Council's Information Communication Technology (ICT) systems.

It also aligns with the best practice requirements that internal control procedures should include:

- ✓ transparent operations, such as well-defined and publicised service standards(SLAs expected to be in place in the coming years), performance indicators and targets
- ✓ easily accessible information
- ✓ client opportunity to provide feedback
- ✓ transparent decision-making to highlight potential nepotism, favouritism or conflict of interest
- ✓ appropriate procedures through identification of fraud and corruption risks and matching control measures
- ✓ separation of functions through physical access controls, division of duties, different security access levels for information.

Councils internal control procedures include basic checks and balances which are carried out to ensure:

- ✓ completeness, relevance and accuracy
- ✓ timeliness of the department's accounting and other transactions and records
- ✓ safeguarding of assets
- ✓ compliance with any prescribed requirements.

Internal Audit supports Councils efforts to establish and maintain systems integrity through an established audit program. The audit program includes periodic risk based assessments of Council's business units using best practice methodologies to assess levels of compliance with existing internal controls.

4.4. Effective Internal Reporting Systems and Procedures

Council recognises that ignoring fraud and corruption is tantamount to endorsement of the activity. Fraud and Corruption Prevention Management Policy requires all staff. Council also acknowledges the difficulties faced by some persons in reporting suspected fraud which may include:

- the possible involvement of an immediate supervisor;
- past experience of outcomes with less than desired effectiveness;
- concern at any failure to observe the confidentiality of a disclosure;
- the perception that reporting may lead to reprisals or victimisation of the discloser and/or other innocent parties;
- a lack of clear and appropriate rules or procedures for referral and action; or
- concern that potential conflicts of interest will be ignored when deciding who should assess or investigate a complaint.

To overcome any personal inhibitions about disclosure, Council has implemented internal reporting systems and supporting mechanisms that encourage staff to take appropriate action when they recognise or suspect fraud or corruption. The following policies and procedures, explain how to report suspected wrongdoing, including fraud and corruption:

- a) Councillors code of Conduct Policy
- b) Employee Code of Conduct Policy
- c) Administrative Actions and Councillor Conduct Complaints Management Policy
- d) Public Interest Disclosure Policy and Procedures

Complaints may be lodged in person, by email, telephone or hard copy postal correspondence. A staff member can make a complaint to:

- their direct or indirect supervisor or manager,
- Human Resource personnel
- Fraud and Corruption Coordinator (Manager S&CP), or,
- the Chief Executive Officer

Anyone who is in Council's supervisory or management chain receiving a report of suspected fraud or corruption is to ensure that they report it immediately to the Chief Executive Officer.

Staff also can make a complaint about misconduct at any time directly to the CCC.

Council's management information system shall capture and maintain comprehensive records of all reportable incidents.

4.5. Effective system of external notification and reporting

Council is committed to transparency in meeting its statutory obligations and in discharging its accountability to all stakeholders. All incidents of suspected fraud and corruption

therefore will be subject to appropriate external reporting in a timely fashion. The role of each bodies and Council's reporting obligation to them is:

Responsible authority	Reporting requirement
Auditor-General	Section 307A of the <i>Local Government Regulation 2012</i> requires Council to report a loss of -cash with a value of more than \$500 -an asset with a value of more than \$1000
Crime and Corruption Commission	Under section 38 of the <i>Crime and Corruption Act 2001</i> a council Chief Executive Officer must notify the Crime and Corruption Commission if they reasonably suspect corrupt conduct (fraud).
Queensland Police Service	Section 307A of the <i>Local Government Regulation 2012</i> requires Council to notify a police officer where suspected stolen -cash with a value of more than \$500 -an asset with a value of more than \$1000

4.6. Well-defined Public Interest Disclosure Mechanisms

A public interest disclosure (PID) is a disclosure of information of public interest, involving wrongdoing within the public sector, made to a proper authority. Council strongly supports the principles embodied in the *Public Interest Disclosure Act 2010*, which provides for certain protection from reprisal for persons making a PID, with the intent of the PID legislation being to ensure that persons making a complaint of wrongdoing can do so without fear of retribution.

Complaints against Council officers under the *Public Interest Disclosure Act 2010* will be pursued in accordance with Council's Public Interest Disclosure Policy and related procedures.

As with all internal reporting of suspected wrongdoing, Council:

- ✓ Exercise due process and natural justice in managing PIDs
- ✓ Make all attempts to preserve confidentiality
- ✓ Provide appropriate protection to the person who made the PID
- ✓ Maintain all necessary records securely, and
- ✓ Report appropriately.

4.7. Competent Investigation Processes and Standards

All reports, information, complaints and notifications concerning alleged employee misconduct are referred to the CEO.

If there is a possibility that an incident constitutes corrupt conduct, the CEO is required under the *Crime and Corruption Act, 2001* to report the matter to the CCC. As both fraud and corruption generally fall within the definition of corrupt conduct, the majority of fraud and corruption matters automatically need to be reported. The CCC may choose to investigate the matter itself, refer it back to Council, or work with Council to investigate the matter.

Any allegation involving criminal offences against the Council, by employees or external parties, needs to be referred to the Queensland Police Services (QPS). In the event the QPS does not lay criminal charges, but the information requires further enquiry because the allegation raises a reasonable suspicion of employee misconduct which, if proven, would be likely to result in formal disciplinary action, Council investigation will be commenced.

Investigations may involve matters of suspected fraud, corruption, misappropriation, maladministration, theft and other matters where the conduct of an employee, if substantiated, could amount to corrupt conduct and may result in disciplinary action, including dismissal.

Council's own fraud and corruption investigative practices comply with the CCC's Guidelines, its investigative toolkit 'Corruption in focus: A guide to dealing with corrupt conduct in the Queensland public sector'.

Investigations and any resultant disciplinary proceedings are always legislatively compliant and conducted in an atmosphere of transparency, with the overall guiding principles being independence and objectivity. Information arising from, or relevant to, investigations is not disseminated to any person not required by their position description to receive the information and in light of the seriousness of fraud and corruption allegations, investigations are overseen by the Fraud and Corruption Prevention Management Steering Group.

In planning and undertaking fraud and corruption investigations, Council follows the steps outlined by the CCC:

- Determining the scope and nature of investigations
- Confirming the responsibilities and powers of the investigator
- Conducting investigations in accordance with the rules of procedural fairness
- Gathering the evidence
- Concluding the investigation

Employees must co-operate with an investigation being conducted in connection with the administration, management and operation of Council to ensure the best possible outcomes.

When Council deems an investigation into alleged corrupt conduct, including fraud or corruption, necessary:

- all employees are obliged to respect the rights of all involved and maintain confidentiality pending a full investigation into an alleged wrongdoing
- managers and supervisors must ensure due process and encourage confidentiality
- any person disclosing alleged wrongdoing must be advised of the outcome of the investigation as soon as practicable, and
- the outcome may be subject of review by the CCC.

4.8. A Clear Code of Conduct and Disciplinary Standards

The fundamental principles contained in the Employee Code of Conduct are modelled on the *Public Sector Ethics Act 1994* and the following four ethical principles:

- Integrity and impartiality
- Promoting the public good
- Commitment to the system of government
- Accountability and transparency

The Code of Conduct does not cover all ethical issues which may arise. To assist in the resolution of complex issues, including those relating to fraud and corruption, employees should seek the advice of their supervisors, managers or senior management when appropriate.

The value of the Code of Conduct as deterrents to wrongdoing depends substantially on the perception that their provisions are enforced swiftly and equitably. Accordingly, prompt and impartial action is taken by Council in the event that a reasonable suspicion exists of fraud, corruption or corrupt conduct.

In compliance with their responsibilities under the *Public Sector Ethics Act 1994*, Council's CEO ensures that its employees are given access to appropriate education and training

about public sector ethics through mandatory training at orientation/induction and regular refreshers thereafter.

4.9. Comprehensive Staff Awareness and Training Programs

The *Public Sector Ethics Act 1994* requires Council to provide appropriate education and training for their employees.

Mandatory public sector ethics education and training is completed by all new employees through the Council induction program. Ongoing ethics related education and training is undertaken by all employees at regular intervals during their employment with Council.

With the oversight of its Fraud and Corruption Prevention Management Steering and Working Groups, Council uses a variety of education and awareness strategies to foster an ethical organisational culture and strengthen Council's resistance to fraud and corruption:

- ✓ commentaries and articles within various publications and newsletters;
- ✓ posting of information on the Council's intranet;
- ✓ providing copies of the Employee Code of Conduct to all new staff members;
- ✓ informing customers, contractors and service providers about the Fraud & Corruption Presentation Management Policy and requiring that they conduct business in accordance with its principles through Council's website;
- ✓ placing links to the Employee Code of Conduct on Council's intranet;
- ✓ demonstrating executive management commitment to fraud and corruption prevention management, with senior executives leading by example and participating in training sessions; and
- ✓ reinforcement of agency's zero tolerance attitude to fraud and corruption demonstrated by prompt response taken to incidents.

Training programs are periodically conducted with identified groups on the identification of misconduct risk and the 'red flag' indicators of potential fraud.

Corporate integrity awareness and training programs

	Induction	General awareness training	Specific training	Specialist training	Communication strategy
Audience:	New employees, including volunteers and Councillors	All officers including elected members	Senior management and Councillors Staff who work in high-risk functional areas identified in Council's risk assessment	Officers responsible for detection, investigation and prevention Internal audit Corporate Performance and Human Resources	All employees, volunteers, Councillors customers
Frequency:	Within first month of Appointment or	About once every two years	When policies systems or legislation	Annual and when policies, systems and	Regular, constant and consistent

	soon as practicable	When policies, systems or legislation change	change If fraud, corruption or misconduct occurs	legalisation changes	messages to reinforce training and foster ethical culture
Type:	One-off induction session NB: Senior management should be involved	In-house sessions Staff meetings	In-house sessions	Awareness and Education industry programs Education Programs sponsored by professional bodies	Deliver positive messages through senior management actions Range of communication and delivery methods
Content:	Basic introduction to Council's values, policies, code of conduct and reporting arrangements Where to get further information PIDs	Building on induction and previous training sessions	Risk areas identified in risk assessment — how to deal with complaints received or fraud detected Handling PIDs	Policy development Industrial relations Human resources Evidence collection Investigating techniques Witness statements Corporate governance Risk management	Positive slogans Value statements Targets Performance indicators Preventive / Detection measures
Supported by:	Policies and procedures Orientation manual Promotional brochures Intranet	Internal policies and procedures	Risk assessment Policies and procedures Job and position descriptions Performance reviews	Policy Legislation Guidelines Reports Standards Codes	Management behaviour and attitudes Council response and communications when fraud is detected Consultation Workplace surveys

4.10. Effective Stakeholder and Community Awareness Programs

The Fraud and Corruption Prevention Management Policy and other relevant policies and procedures are published on our internet site to make them accessible for all community members.

Council's external communication will emphasise the integrity of Council and its commitment to the highest standard of probity in all its dealings. It will give the community confidence in its dealings with us, and ensure that external providers, such as contractors, suppliers, third party providers, and funding recipients are aware of our zero tolerance policy. This message will be augmented by the ethical actions of employees at all times.

5. LEGISLATIVE REFERENCES

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Crime & Corruption Act 2001*
- *Criminal Code 1995*
- *Public Interest Disclosure Act 2010*
- *Public Sector Ethics Act 1994*

6. RELATED POLICIES/PROCEDURES

6.1. Internal Documents

- Fraud and Corruption Prevention Management Policy
- Fraud and Corruption Prevention Management Plan
- Employee Code of Conduct
- Councillor Code of Conduct
- Risk Management Policy
- Risk Management Register and Treatment Plan
- Administration Action and Councillor Complaints Process Policy
- Public Interest Disclosure Policy
- Procurement Policy
- Asset Management Policy
- Debt Policy
- Investment Policy
- Related Party Disclosure Policy

6.2. External Documents

- Local Government Fraud Prevention and Management Guidelines
- The Australian Standard for Fraud is *AS8001 – 2008 Fraud and Corruption Control*
- Local Government Association Queensland Red Flag Indicators

7. NEXT REVIEW

June 2019



Gary Wall
CHIEF EXECUTIVE OFFICER

6/4/2018.
Date

FRAUD AND CORRUPTION REPORTING FLOWCHART

